GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3724
ANSWERED ON:22.12.2015
Hindustan Organic Chemicals Ltd
Rathwa Shri Ramsinh Patalyabhai

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:-

(a) whether the Hindustan Organic Chemicals Limited is facing crisis due to withdrawal of anti-dumping duty on their products and other issues;

(b) if so, whether the Government has taken any steps to address this crisis; and

(c) if so, the details thereof?

Answer

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS
(SHRI HANSRAJ GANGARAM AHIR)

(a) to (c): Withdrawal of Anti-Dumping Duty (ADD) in 2012-13 on the two major products of Hindustan Organic Chemicals Limited (HOCL) viz. Phenol and Acetone, coupled with increase in feedstock prices like Benzene and LPG, has had a detrimental effect on the production, sales and financial performance of the company. During 2012-13 & 2013-14, the company had to sell Phenol and Acetone at unremunerative prices to compete with large scale cheap imports of both products. This adversely impacted HOCL's profitability and the company suffered total losses of about Rs.315 crore during these two financial years.

The Government, however, reimposed Anti-Dumping Duty on Phenol and Acetone during 2014-15. But, due to shortage of working capital and liquidity problems resulting from the losses suffered in the previous years the company could not operate the plants on continuous basis which further affected its production / sales. In order to enable the company to tide over its liquidity problems, the Government provided the following assistance to the company in 2013-14 and 2014-15:

(i) Redemption of Rs.270 crore preference shares issued by the company to the Government of India (date of allotment of 24.01.2008), that was due for redemption from 2011-12 onwards @ 20% each year, was postponed to 2015-16 onwards @ 25% each year.

(ii) Extension of the Government guarantee of Rs.100 crore for a further period of 5 years i.e. up to 28.08.2017, since the company was not in position to redeem the Rs.100 crore bonds raised against the Government guarantee.

(iii) Another Government guarantee of Rs.150 crore was provided to HOCL in July, 2014 for issue of bonds by the company for meeting its working capital requirement and repayment of liabilities.

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